



**DELAWARE TRANSPORTATION AUTHORITY
TRANSPORTATION TRUST FUND**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Delaware Transportation Authority
Transportation Trust Fund
Dover, Delaware:

We have audited the accompanying balance sheets of the State of Delaware Transportation Trust Fund (TTF), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of the years ended June 30, 2007 and 2006, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of TTF management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TTF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the State of Delaware Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2007 and 2006, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Delaware Transportation Trust Fund as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 3 through 9 and 40 and 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



The additional information, as listed in the table of contents and presented on pages 43 through 54, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any other form of assurance on the additional information.

KPMG LLP

October 12, 2007

Delaware Transportation Authority Transportation Trust Fund

Management's Discussion and Analysis

This section of the Delaware Transportation Authority (the Authority) Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2007.

Background

In 1987, to facilitate the Authority's development of a unified transportation system in the State of Delaware (the State) and to take advantage of the Authority's broad financing powers, the Trust Fund was created to consolidate and dedicate transportation-related revenue to transportation projects and to provide a flexible mechanism to handle the increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation, operating, and capital expenditures. Funding for such expenditures is derived from bond proceeds, excess Trust Fund revenue, and cash balances.

The Trust Fund has pledged the following revenue to secure their outstanding bonds: Motor Fuel Taxes, Delaware Turnpike Tolls and Concessions, Motor Vehicle Document and Registration Fees, Miscellaneous Transportation Revenue, including operator license and titling fees, and investment earnings. Route 1 (SR-1) toll road revenue and certain miscellaneous revenues, including transfers from the State of Delaware General Fund, have not been pledged and, therefore, are not used to secure the Trust Fund's bonds.

Financial Highlights

- Turnpike revenue was \$96.7 million, a 10.3% increase over fiscal year 2006.
- Motor vehicle registration fee revenue was \$31.5 million, a 4.3% increase over fiscal year 2006.
- Toll revenues on SR-1 reached \$32.6 million, a 3.5% increase over fiscal year 2006, and traffic increased 5% to 39.2 million vehicles.
- Total Trust Fund operating revenues increased \$4.4 million to \$369.6 million, a 1.2% increase over fiscal year 2006.
- The Authority went to the bond market in November 2006 and issued \$127.4 million of bonds and again in April 2007 to refund \$87.9 million of bonds.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

The financial section of this annual report consists of five parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) additional information.

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Trust Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets.

Financial Analysis of the Trust Fund

Balance Sheets

The Trust Fund's total assets increased 8% to \$1,364.0 million, and total liabilities increased 5.6% to \$1,104.3 million. Net assets at June 30, 2007 were \$259.7 million, a 19.7% increase from June 30, 2006.

Transportation Trust Fund's Net Assets
(in millions of dollars)

	<u>2007</u>	<u>2006</u>	Percentage Change <u>2007-2006</u>
Current assets	\$ 278.5	\$ 172.7	61.3
Capital assets	1,015.5	1,010.2	0.5
Other noncurrent assets	<u>70.0</u>	<u>79.9</u>	(12.4)
Total assets	<u>\$1,364.0</u>	<u>\$1,262.8</u>	8.0

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Transportation Trust Fund's Net Assets
(in millions of dollars) (Continued)

	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2007-2006</u>
Current liabilities	\$ 127.3	\$ 114.9	10.8
Revenue bonds payable	951.2	891.9	6.6
Other noncurrent liabilities	<u>25.8</u>	<u>39.1</u>	(34.0)
Total liabilities	<u>\$1,104.3</u>	<u>\$1,045.9</u>	5.6
Net assets			
Invested in capital assets, net of debt	\$ 37.6	\$ 32.0	17.5
Restricted	152.8	140.8	8.5
Unrestricted	<u>69.3</u>	<u>44.1</u>	57.1
Total net assets	<u>\$ 259.7</u>	<u>\$ 216.9</u>	19.7

The increase in current assets is attributed to an increase in investments due to the issuance of new revenue bonds. The decrease in other noncurrent assets is primarily due to a \$10 million payment received from the State on behalf of Diamond State Port Corporation for their outstanding loan. The decrease in noncurrent liabilities is primarily attributed to the decrease in claims and judgments resulting from the payment of the Department of Transportation's (the Department) \$12 million obligation to the E-ZPass consortium.

Change in Net Assets

The increase in net assets at June 30, 2007 was \$42.8 million, or 19.7%, as compared to June 30, 2006. The Trust Fund's total operating revenues increased 1.2% to \$369.6 million, and total operating expenses decreased 9.9% to \$384.3 million.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Change in the Transportation Trust Fund's Net Assets
(in millions of dollars)

	<u>2007</u>	<u>2006</u>	Percentage Change <u>2007-2006</u>
Operating revenues			
Turnpike revenue	\$ 96.7	\$ 87.7	10.3
Motor fuel tax	117.5	120.1	(2.2)
Motor vehicle document fee	62.7	64.9	(3.4)
Motor vehicle registration fee	31.5	30.2	4.3
Other motor vehicle revenue	20.5	20.3	1.0
International Fuel Tax Agreement	3.3	3.6	(8.3)
Toll revenue - SR 1	32.6	31.5	3.5
Miscellaneous revenue	<u>4.8</u>	<u>6.9</u>	(30.4)
Total operating revenues	<u>\$369.6</u>	<u>\$365.2</u>	1.2
Operating expenses			
Operating expenses	\$ 16.3	\$ 17.4	(6.3)
Claims and judgments	0.8	-	-
Capital preservation and operations	302.1	350.0	(13.7)
DTC operations	64.9	58.8	10.4
Depreciation	<u>0.2</u>	<u>0.2</u>	-
Total operating expenses	<u>\$384.3</u>	<u>\$426.4</u>	(9.9)
Operating loss	\$ (14.7)	\$ (61.2)	76.0
Nonoperating expenses	(27.4)	(27.6)	(0.7)
Transfers	<u>84.9</u>	<u>88.2</u>	(3.7)
Change in net assets	42.8	(0.6)	7,233.3
Total net assets, beginning of year	<u>216.9</u>	<u>217.5</u>	(0.3)
Total net assets, end of year	<u>\$259.7</u>	<u>\$216.9</u>	19.7

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

The \$9 million increase in turnpike revenue is attributable to the October 1, 2005 toll rate increase at I-95. The \$47.9 million decrease in transportation capital preservation and operations expenses in accordance with trust agreement is primarily attributable to decreased capital spending as a result of permit issues and delays in both accessing federal funds and construction schedules.

During fiscal year 2007, the following transfers (\$79.4 million) were received from the State's General Fund: \$74 million of General Fund support, \$2.7 million of Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees, and \$2.7 million for the Department of Motor Vehicles.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2007, the Trust Fund had invested \$1,018.2 million in capital assets, including roads, bridges, buildings, land, and equipment for Delaware's two toll roads. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2007 totaled \$1,015.5 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$5.3 million primarily for the I-95 expansion project.

The State is using the "Modified Approach" for determining condition assessments on their roads and bridges. The modified approach requires that the State initially set a percentage benchmark for maintaining their infrastructure in good or better condition and report at least every three years on their condition assessments.

It is the Department's policy to maintain at least 85% of its highway system at a fair or better condition rating and 75% of its bridge system at a good or better condition rating as follows:

The condition of the road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

The condition of the bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 4 for substandard bridges to 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9, with 5 being assessed a fair rating.

The Department performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every year and bridge condition assessments are conducted every two years.

At December 31, 2006, 97.2% of the Trust Fund's roadway condition assessments were in the fair or better category, a 2.6% increase over 2005; 91.4% of the bridge structures were in the good or better category, a 1% increase over 2005, and 97.9% of the bridge deck ratings were in the good or better category, a 2.7% increase over 2005.

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2007, the Authority had \$1,018.8 million in revenue bonds outstanding, a 6.9% increase over June 30, 2006. During the past year, \$127.4 million of new money bonds were issued and \$87.9 million of bonds were refunded. Of the 12 outstanding bond issues, all insured bonds are rated AAA by S&P and Aaa by Moody's; and the uninsured bonds are rated AA+ and Aa3, respectively.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Next Year's Budget

The Department's fiscal year 2008 Operating Annual Budget adopted by the General Assembly in June 2007 totals \$350.9 million and the fiscal year 2008 Capital Improvements Act totals \$256.0 million in State authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$192.9 million of Road System, \$23.1 million of Grants and Allocations, \$14.7 million of Transit System, and \$25.3 million for Support System. The Capital Improvements Act authorizes an additional \$184.7 million in federal funding. The spending of these capital authorizations will occur over several years. The capital spending forecast for fiscal year 2008 is \$553.4 million, inclusive of \$289.5 and \$263.9 million in state and federal funding, respectively.

Contacting the Trust Fund's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Trust Fund's finances and to demonstrate the Trust Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware Department of Transportation, Finance Unit, P.O. Box 778, Dover, DE 19903.

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheets

**June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 7,438,160	\$ 2,399,463
Restricted	33,846	41,596
Investments - at fair value		
Unrestricted	155,311,250	69,527,635
Restricted	109,086,650	95,785,922
Accrued interest receivable	2,099,327	1,294,930
Accounts receivable	3,284,837	2,542,694
Loan receivable	<u>1,198,203</u>	<u>1,152,692</u>
Total current assets	278,452,273	172,744,932
NONCURRENT ASSETS		
Capital assets		
Infrastructure and land	1,010,345,209	1,004,847,647
Buildings and land improvements	<u>7,847,309</u>	<u>7,847,309</u>
	1,018,192,518	1,012,694,956
Less: accumulated depreciation	<u>2,724,106</u>	<u>2,533,654</u>
Capital assets	1,015,468,412	1,010,161,302
Investments - at fair value		
Unrestricted	3,246,128	666,094
Restricted	43,252,196	44,495,196
Accrued interest receivable	80,203	697,673
Loans receivable	<u>23,462,845</u>	<u>34,071,992</u>
Total noncurrent assets	<u>1,085,509,784</u>	<u>1,090,092,257</u>
TOTAL ASSETS	<u><u>\$ 1,363,962,057</u></u>	<u><u>\$ 1,262,837,189</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheets

**June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable	\$ 23,998,924	\$ 16,746,342
Accrued payroll payable	408,970	254,953
Compensated absences payable	45,239	61,033
Deferred revenue	4,313,896	5,040,226
General obligation bonds payable	599,955	812,259
Revenue bonds payable	67,640,000	61,370,000
Bond issue premium - net of accumulated amortization	6,623,371	6,814,934
Interest payable	<u>23,636,964</u>	<u>23,828,878</u>
 Total current liabilities	 127,267,319	 114,928,625
NONCURRENT LIABILITIES		
Compensated absences - net of current portion	312,340	334,788
Claims and judgments - net of current portion	-	11,230,769
General obligation bonds payable - net of current portion	2,783,007	3,435,812
Revenue bonds payable - net of current portion	951,175,000	891,895,000
Bond issue premium - net of accumulated amortization and current portion	<u>22,730,536</u>	<u>24,079,921</u>
 Total noncurrent liabilities	 <u>977,000,883</u>	 <u>930,976,290</u>
 Total liabilities	 1,104,268,202	 1,045,904,915
NET ASSETS		
Invested in capital assets - net of related debt	37,595,366	32,033,115
Restricted	152,828,438	140,835,636
Unrestricted	<u>69,270,051</u>	<u>44,063,523</u>
 Total net assets	 <u>259,693,855</u>	 <u>216,932,274</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,363,962,057</u></u>	 <u><u>\$ 1,262,837,189</u></u>

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Revenues, Expenses, and
Change in Net Assets**

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Pledged revenue		
Turnpike revenue	\$ 96,747,605	\$ 87,696,331
Motor fuel tax revenue	117,483,765	120,090,448
Motor vehicle document fee revenue	62,689,492	64,842,559
Motor vehicle registration fee revenue	31,463,949	30,238,168
Other motor vehicle revenue	20,475,403	20,334,439
International Fuel Tax Agreement revenue	<u>3,319,506</u>	<u>3,624,314</u>
Total pledged revenue	332,179,720	326,826,259
Toll revenue - Delaware SR-1	32,606,361	31,524,365
Property management revenue	426,992	427,159
E-ZPass expense reimbursements	-	366,419
Railway tolls	1,498,998	1,502,375
Miscellaneous revenue	<u>2,874,660</u>	<u>4,530,608</u>
Total operating revenues	369,586,731	365,177,185
OPERATING EXPENSES		
Expressways Operations/Toll Administration and interstate operating expenses	16,282,224	17,440,223
Claims and judgments	769,231	-
Expenses in accordance with Trust Agreement		
Transportation capital preservation and operations	302,067,006	349,972,715
Delaware Transit Corporation operations	64,949,492	58,833,371
Depreciation	<u>190,452</u>	<u>192,045</u>
Total operating expenses	<u>384,258,405</u>	<u>426,438,354</u>
OPERATING LOSS	(14,671,674)	(61,261,169)

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Revenues, Expenses, and
Change in Net Assets (Continued)**

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
NONOPERATING REVENUES (EXPENSES)		
Pledged revenue - income from investments (net of fees)	\$ 14,774,453	\$ 10,523,310
Net increase (decrease) in the fair value of investments	783,536	(954,254)
Interest income	180,083	223,866
Interest expense	<u>(43,207,653)</u>	<u>(37,346,668)</u>
Excess of nonoperating expenses over revenues	<u>(27,469,581)</u>	<u>(27,553,746)</u>
LOSS BEFORE TRANSFERS	(42,141,255)	(88,814,915)
TRANSFER FROM DELAWARE DEPARTMENT OF TRANSPORTATION	5,494,308	-
TRANSFER FROM STATE GENERAL FUND	<u>79,408,528</u>	<u>88,237,590</u>
CHANGE IN NET ASSETS	42,761,581	(577,325)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>216,932,274</u>	<u>217,509,599</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 259,693,855</u></u>	<u><u>\$ 216,932,274</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Statements of Cash Flows

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 373,292,805	\$ 363,085,104
Payments to employees	(7,062,116)	(6,894,415)
Payments to suppliers	<u>(386,042,796)</u>	<u>(434,889,878)</u>
Net cash flows used in operating activities	(19,812,107)	(78,699,189)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from State General Fund	79,408,528	88,237,590
Transfers from Delaware Department of Transportation	<u>5,494,308</u>	<u>-</u>
Net cash flows provided by noncapital financing activities	84,902,836	88,237,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(61,370,000)	(58,445,000)
Payment to escrow agent for refunding of revenue bonds	(88,415,000)	-
Proceeds from revenue bond sale	215,335,000	150,000,000
Payments of general obligation bond principal	(865,109)	(582,693)
Payment of note principal	-	(40,000,000)
Repayment from Delaware Department of Transportation	-	678,419
Premium from revenue bond sale	6,179,669	8,417,842
Acquisition of capital assets	(5,497,562)	(18,243,158)
Payments of interest	<u>(51,120,184)</u>	<u>(41,999,811)</u>
Net cash flows provided by (used in) capital and related financing activities	14,246,814	(174,401)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment on loan receivable	11,745,028	1,108,909
Purchase of investments	(99,637,841)	(19,332,547)
Interest received	<u>13,586,217</u>	<u>8,797,827</u>
Net cash flows used in investing activities	<u>(74,306,596)</u>	<u>(9,425,811)</u>
Net increase (decrease) in cash and cash equivalents	5,030,947	(61,811)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,441,059</u>	<u>2,502,870</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,472,006</u></u>	<u><u>\$ 2,441,059</u></u>

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2007 and 2006

See Independent Auditors' Report

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (14,671,674)	\$ (61,261,169)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	190,452	192,045
Changes in assets and liabilities		
Increase in accounts receivable	(742,143)	(671,428)
Increase (decrease) in accounts payable	2,078,035	(15,629,753)
Increase in accrued payroll and related expenses	115,775	91,769
Increase in customer toll deposits	5,174,547	-
Decrease in deferred revenue	(726,330)	(1,326,193)
Decrease in other accrued expenses	<u>(11,230,769)</u>	<u>(94,460)</u>
Net cash used in operating activities	<u>\$ (19,812,107)</u>	<u>\$ (78,699,189)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest capitalized on Diamond State Port Corporation loan	<u>\$ 1,181,392</u>	<u>\$ 1,348,641</u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements

See Independent Auditors' Report

Note A - Organization and Trust Agreements

1. Organization

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, and specialized transportation in the State, subject to oversight by the Department and the State.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund), within the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads, both of which the Authority owns and operates. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects.

The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note A - Organization and Trust Agreements (Continued)

2. Trust Agreements

The Trust Agreements in effect at June 30, 2007 and 2006 are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented.

The Trust Agreement is a bond indenture, intended to ensure payment to bond holders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department.

The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting

The Authority operates as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Summary of Significant Accounting Policies (Continued)

3. Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2007 and 2006, and accordingly, a provision for uncollectible accounts has not been established.

4. Investments

Investments are recorded at their fair value. Investments at June 30, 2007 and 2006 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

5. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Financial Accounting Standards Board (FASB) Pronouncements

The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

7. Capital Assets

Capital assets, which include buildings, land, land improvements, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the enterprise fund financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Summary of Significant Accounting Policies (Continued)

7. Capital Assets (Continued)

It is the policy of the State to capitalize land and buildings, regardless of cost, to capitalize improvements to land and buildings when the costs of projects exceed \$100,000, and to capitalize infrastructure when the costs of individual items or projects exceed \$1 million. The Trust Fund follows the State's policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

Such assets are recorded at historical cost or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings and land improvements are depreciated on a straight-line basis.

For assets not part of infrastructure, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the State uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34. Under this process, the Authority does not record depreciation expense or the amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

The Authority maintains two asset management systems, one for the roads and one for the bridges. In addition, the Authority completes condition assessments on its roads every year and on its bridges at least every two years.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Summary of Significant Accounting Policies (Continued)

7. Capital Assets (Continued)

Buildings and land improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	15

8. Compensated Absences

Compensated absences are absences for which Expressways Operations/Toll Administration employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees are accounted for in the period in which such services are rendered or such events take place.

9. Bond Issue Premium

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Net amortization resulted in \$7,078,956 and \$7,305,512 of income in 2007 and 2006, respectively.

10. Revenues and Expenses

The Authority defines nonoperating revenues as investment and interest income. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense. All other expenses are a result of normal operations.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note C - Cash and Investments

Cash Management Policy and Investment Guidelines

The policy for the investment of Authority funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2007 and 2006, investments of the Authority are primarily in U.S. Government Securities, U.S. Government Agency Securities, and Commercial Paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at www.state.de.us/treasure.

Custodial Credit Risk

1. Deposits

The carrying amounts of the Authority's deposits at June 30, 2007 and 2006 were \$7,472,006 and \$2,441,059, respectively, and the bank balances were \$6,563,855 and \$1,132,111, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2007 and 2006 of \$6,563,855 and \$1,132,111, respectively, were covered by federal depository insurance for \$100,000 or by collateral held by the Authority's Trustee, in the Authority's name, for the remainder, in accordance with the Policy and the Trust Agreement.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note C - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

2. Investments

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2007 and 2006, all of the Authority's investments were insured or registered, with securities held by the Authority or the counterparty in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities.

<u>June 30, 2007</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 15,900,311	\$ 7,832,298	\$ 8,068,013	\$ -
U.S. Government Agency Securities	155,547,829	117,117,518	38,430,311	-
Commercial Paper	<u>139,448,084</u>	<u>139,448,084</u>	<u>-</u>	<u>-</u>
	<u>\$310,896,224</u>	<u>\$264,397,900</u>	<u>\$46,498,324</u>	<u>\$ -</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note C - Cash and Investments (Continued)

Interest Rate Risk (Continued)

June 30, 2006

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 5,835,150	\$ 1,279,266	\$ 4,555,884	\$ -
U.S. Government Agency Securities	146,110,004	105,504,598	40,605,406	-
Commercial Paper	<u>58,529,693</u>	<u>58,529,693</u>	<u>-</u>	<u>-</u>
	<u>\$210,474,847</u>	<u>\$165,313,557</u>	<u>\$45,161,290</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the Policy and the Trust Agreement by investing only in authorized securities. The Authority's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of \$139,448,084 and \$58,529,693 at June 30, 2007 and 2006, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust Agreement. The investments in U.S. Government Agency Securities all carried the highest rating by Moody's and Standard & Poor's. All remaining investments were in U.S. Government Securities, which carry no credit risk.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note C - Cash and Investments (Continued)

Investments in Excess of 5%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2007:

Federal Home Loan Mortgage Corporation	\$57,069,449	18%
Federal National Mortgage Association	98,478,380	32%
UBS Finance Delaware Incorporated	21,381,694	7%
Intesa Funding LLC	18,125,670	6%

Investment Commitments

The Authority has made no investment commitments as of June 30, 2007.

Note D - Accounts Receivable

Balances in accounts receivable were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
Concessions - The Authority leases space along the Delaware Turnpike for concessionaires. Rental income is based upon monthly sales and is due the following month.	\$ 193,148	\$ 190,060
Railway tolls	750,000	750,000
E-ZPass revenues	<u>2,341,689</u>	<u>1,602,634</u>
	<u>\$3,284,837</u>	<u>\$2,542,694</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note E - Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$ 883,503,233	\$5,397,872	\$ -	\$ 888,901,105
Land	<u>121,344,414</u>	<u>99,690</u>	<u>-</u>	<u>121,444,104</u>
	<u>\$1,004,847,647</u>	<u>\$5,497,562</u>	<u>\$ -</u>	<u>\$1,010,345,209</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>2,533,654</u>	<u>190,452</u>	<u>-</u>	<u>2,724,106</u>
Total capital assets being depreciated, net	<u>\$ 5,313,655</u>	<u>\$ (190,452)</u>	<u>\$ -</u>	<u>\$ 5,123,203</u>

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$879,501,689	\$ 4,001,544	\$ -	\$ 883,503,233
Land	<u>107,102,800</u>	<u>14,241,614</u>	<u>-</u>	<u>121,344,414</u>
	<u>\$986,604,489</u>	<u>\$18,243,158</u>	<u>\$ -</u>	<u>\$1,004,847,647</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	<u>163,924</u>	<u>-</u>	<u>-</u>	<u>163,924</u>
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>2,341,609</u>	<u>192,045</u>	<u>-</u>	<u>2,533,654</u>
Total capital assets being depreciated, net	<u>\$ 5,505,700</u>	<u>\$ (192,045)</u>	<u>\$ -</u>	<u>\$ 5,313,655</u>

Depreciation expense was \$190,452 and \$192,045 for fiscal years 2007 and 2006, respectively.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note F - Loans Receivable

During fiscal year 2002, the Authority loaned \$27,500,000 to Diamond State Port Corporation. The funds were loaned at an interest rate of 4.6%. Originally, the loan was to be repaid in 40 semi-annual payments of \$1,058,920, with the final payment to be made in January 2023. The loan was subsequently restructured effective July 1, 2004. Unpaid interest through January 1, 2005, in the amount of \$1,911,372, was capitalized into the loan balance and the payments were deferred until July 1, 2005. Effective July 1, 2005, the loan was again restructured. Additional unpaid interest through January 1, 2006, in the amount of \$1,386,641, was capitalized into the loan balance and the payments were deferred until July 1, 2006. Effective July 1, 2006, the loan was again restructured. Additional unpaid interest through January 1, 2007, in the amount of \$1,181,392, was capitalized into the loan balance. The State paid \$10,000,000 towards the principal of the loan on behalf of the Diamond State Port Corporation in August 2006. The remaining principal amount due was \$21,259,658. The interest rate on the restructured loan remains at 4.6%. The loan is currently to be repaid in four semi-annual payments of \$500,000, commencing on March 31, 2007, and 40 semi-annual payments of \$808,798, commencing on March 31, 2009, with the final payment to be made on May 31, 2028. At June 30, 2007 and 2006, the outstanding loan balance was \$20,922,649 and \$30,333,593, respectively.

The Diamond State Port Corporation will only be able to repay this loan with continued annual support from the general assembly. While funds have not been committed, it is the expectation of management that the required support will be appropriated each year.

During fiscal year 2005, the Department reached a settlement agreement with CSX Transportation, Inc. (CSX), in which CSX agreed to fund a portion of the costs of reconstruction of certain railway bridges in the City of Wilmington, Delaware. The settlement was for \$6,000,000, and has been recorded as a loan receivable and deferred revenue in the accompanying balance sheets. Payments are received in 10 semi-annual installments of \$666,387, including interest at 3.91%. Revenue is recorded as actual expenses are incurred. Revenue recorded for the years ended June 30, 2007 and 2006 was \$726,330 and \$959,774, respectively.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note F - Loans Receivable (Continued)

The Department has requested federal assistance with these projects. To the extent such federal assistance is received, the loan balance may be reduced in future periods by 75% of the total federal assistance received, in accordance with the settlement agreement. The loan balance at June 30, 2007 and 2006 was \$3,738,399 and \$4,891,091, respectively.

Note G - Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$ 953,265,000	\$215,335,000	\$(149,785,000)	\$1,018,815,000	\$67,640,000
General obligation bonds	4,248,071	-	(865,109)	3,382,962	599,955
Bond issue premium, net of accumulated amortization	30,894,855	6,179,669	(7,720,617)	29,353,907	6,623,371
Claims and judgments	11,230,769	-	(11,230,769)	-	-
Compensated absences	<u>395,821</u>	<u>-</u>	<u>(38,242)</u>	<u>357,579</u>	<u>45,239</u>
Long-term liabilities	<u>\$1,000,034,516</u>	<u>\$221,514,669</u>	<u>\$(169,639,737)</u>	<u>\$1,051,909,448</u>	<u>\$74,908,565</u>

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$861,710,000	\$150,000,000	\$(58,445,000)	\$ 953,265,000	\$61,370,000
General obligation bonds	4,830,764	-	(582,693)	4,248,071	812,259
Bond issue premium, net of accumulated amortization	29,782,525	8,417,842	(7,305,512)	30,894,855	6,814,934
Claims and judgments	11,325,229	-	(94,460)	11,230,769	-
Compensated absences	<u>297,961</u>	<u>97,860</u>	<u>-</u>	<u>395,821</u>	<u>61,033</u>
Long-term liabilities	<u>\$907,946,479</u>	<u>\$158,515,702</u>	<u>\$(66,427,665)</u>	<u>\$1,000,034,516</u>	<u>\$69,058,226</u>

The Authority is responsible for liquidating all long-term liabilities.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note H - General Obligation Bonds Outstanding

General obligation bonds outstanding at June 30, 2007 and 2006 are detailed as follows:

<u>Sale #</u>	<u>Description and Interest Rates</u>	<u>Maturity Date (Fiscal Year)</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2007</u>	<u>June 30, 2006</u>
194	GO 2005B, 5.00%	2024	\$ 911,910	\$1,018,125
191	GO + Refunding 2004A, 3.00-6.00%	2024	105,115	120,131
188	GO Refunding 2003B, 4.00-5.00%	2012	2,071,687	2,609,865
185	GO + Refunding 2002A, 4.00-5.25%	2023	264,250	369,950
177	GO 1997A, 5.00%	2007	<u>30,000</u>	<u>130,000</u>
	Totals		3,382,962	4,248,071
	Less: current portion		<u>599,955</u>	<u>812,259</u>
	Long-term portion		<u>\$2,783,007</u>	<u>\$3,435,812</u>

The general obligation bonds are direct obligations of the State of Delaware and are secured by the full faith and credit of the State. Only that portion of the bonds attributable to the Trust Fund have been reflected in these financial statements.

The annual requirement to amortize all general obligation bonds payable as of June 30, 2007 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2008	\$ 599,955	\$152,630	\$ 752,585
2009	676,105	120,200	796,305
2010	655,588	86,522	742,110
2011	663,331	56,194	719,525
2012	346,503	30,923	377,426
2013 - 2016	<u>441,480</u>	<u>31,864</u>	<u>473,344</u>
	<u>\$3,382,962</u>	<u>\$478,333</u>	<u>\$3,861,295</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note I - Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2007 and 2006 are detailed as follows:

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2007</u>	<u>June 30, 2006</u>
SENIOR BONDS				
1997/2017	\$120,640,000	Transportation System Senior Revenue Bonds, 1997 Series, 5.00-6.00%	\$ 7,550,000	\$ 49,930,000
1998/2016	60,560,000	Transportation System Senior Revenue Bonds, 1998 Series, 4.50-5.50%	51,985,000	52,190,000
2000/2020	83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	14,520,000	17,720,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50-5.00%	34,910,000	50,795,000
2002/2008	43,015,000	Transportation System Senior Revenue Bonds, 2002 Series, 5.00%	11,305,000	27,765,000
2002/2022	173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00-5.25%	112,910,000	146,615,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 4.50-5.00%	225,055,000	247,685,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 3.00-5.00%	160,705,000	164,200,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.00-5.00%	149,000,000	150,000,000
2006/2026	127,445,000	Transportation System Senior Revenue Bonds, 2006 Series, 3.50-5.00%	127,445,000	-
2007/2021	87,890,000	Transportation System Senior Revenue Bonds, 2007A Series, 4.00-5.00%	87,890,000	-

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note I -Revenue Bonds Outstanding (Continued)

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2007</u>	<u>June 30, 2006</u>
JUNIOR BONDS				
2002/2009	\$48,120,000	Transportation System Junior Revenue Bonds, 2002 Series, 4.625-5.00%	\$ <u>35,540,000</u>	\$ <u>46,365,000</u>
		Totals	1,018,815,000	953,265,000
		Less: current portion	<u>67,640,000</u>	<u>61,370,000</u>
		Long-term portion	\$ <u>951,175,000</u>	\$ <u>891,895,000</u>

The Transportation System Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Authority. The pledged revenues of the Authority were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
Pledged operating revenues	\$332,179,720	\$326,826,259
Investment income	<u>14,774,453</u>	<u>10,523,310</u>
	<u>\$346,954,173</u>	<u>\$337,349,569</u>

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State of Delaware or of any such political subdivision.

The Authority had a total of \$62,938,525 and \$75,219,525 in authorized but unissued revenue bonds at June 30, 2007 and 2006, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note I - Revenue Bonds Outstanding (Continued)

The annual requirement to amortize all revenue bonds payable as of June 30, 2007 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2008	\$ 67,640,000	\$ 46,209,546	\$ 113,849,546
2009	73,510,000	38,640,632	112,150,632
2010	75,660,000	35,099,351	110,759,351
2011	64,220,000	31,942,601	96,162,601
2012	64,775,000	29,036,230	93,811,230
2013 - 2017	302,875,000	102,664,063	405,539,063
2018 - 2022	241,170,000	44,591,568	285,761,568
2023 - 2027	<u>128,965,000</u>	<u>8,287,401</u>	<u>137,252,401</u>
	<u>\$1,018,815,000</u>	<u>\$336,471,392</u>	<u>\$1,355,286,392</u>

On April 11, 2007, the Trust Fund issued \$87,890,000 of Transportation System Senior Revenue Bonds, 2007A Series to provide for an advance refunding of the following Transportation System Senior Revenue Bonds:

1997 Series	\$38,925,000
2001 Series	12,715,000
2002B Series	26,870,000
2003 Series	<u>9,905,000</u>
	<u>\$88,415,000</u>

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$2,803,107 and a reduction of \$3,225,552 in future debt service payments.

Note J - Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note J - Debt Defeasance (Continued)

For financial reporting purposes, the debt has been considered defeased, and therefore, removed as a liability. As of June 30, 2007 and 2006, the amount of defeased debt outstanding amounted to \$229,220,000 and \$146,485,000, respectively.

Note K - Designated Net Assets

For operations, unrestricted net assets designated by management were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
DTC Transit Fund		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2007 and 2006, the DTC Transit Fund expended authorized appropriations amounting to \$64,949,492 and \$60,082,914, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$5,760,408	\$5,758,370
Other Transportation Funds		
Authorized appropriations expended to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2007 and 2006 were \$157,947,082 and \$134,776,608, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	<u>3,564,120</u>	<u>2,194,952</u>
Total designated net assets	<u>\$9,324,528</u>	<u>\$7,953,322</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note L - Restricted Net Assets

Restricted net assets were as follows at June 30,:

	<u>2007</u>	<u>2006</u>
Debt Service Funds		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	\$ 91,270,440	\$ 85,195,257
Debt Reserve Funds		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	52,519,649	47,092,470
Delaware State Infrastructure Bank		
See Note S	<u>9,038,349</u>	<u>8,547,909</u>
Total restricted net assets	<u>\$152,828,438</u>	<u>\$140,835,636</u>

Note M - Electronic Toll Collection

During fiscal year 1996, Expressways Operations/Toll Administration entered into a regional electronic toll collection system consortium (the Consortium). The Consortium includes an agreement among member jurisdictions to share in the potential revenues and costs associated with the construction, financing, and operations of an electronic toll collection customer service center (CSC). The CSC collected tolls and violation fees from motorists in each member jurisdiction and remitted to each jurisdiction their share of tolls collected based upon actual road usage. The Consortium also leased fiber optic transmission lines to the public, which was to generate rental income to the CSC. The rental income and violation fees were expected to exceed the costs associated with operating the CSC.

In order to fund operations, the Consortium issued \$150,000,000 in fixed rate and \$150,000,000 in variable rate bonds to be repaid in 2008. In the event that the CSC generated costs in excess of revenues during its planned ten-year operating term, each member jurisdiction was obligated to finance their share of this operating deficit under the terms of a True-Up Agreement that each member jurisdiction has signed. The Department is obligated for 4% or \$12,000,000.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note M - Electronic Toll Collection (Continued)

Each year the Consortium performed a True-Up Study that showed with each year a lessened ability of the CSC to pay the debt.

On March 25, 2003, the Department withdrew from the Consortium that was governing the E-ZPass operation jointly with three agencies from other states. As of that date, the Department began operating its E-ZPass system independent of the Consortium. Per the terms of the settlement agreement, the Trust Fund received approximately \$7.6 million during fiscal year 2003 to cover various transition costs. The New Jersey Turnpike Authority, acting as lead agency for the Consortium, also completed the remaining work on Delaware's portion of the fiber optic network at no cost to the Department. The value of this work was an additional \$1 million. These amounts were initially recorded as deferred revenue and vendor retainage payable and were recorded as income and expenses when incurred. For the years ended June 30, 2007 and 2006, amounts recognized in income related to E-ZPass transition costs were \$-0- and \$366,419, respectively. There were no deferred revenues remaining at June 30, 2007 and 2006, respectively.

As part of the separation agreement, the Department agreed to pay principal and interest on the bonds for their share of the debt of \$12,000,000, which was paid in full during the year ended June 30, 2007. The discounted amount of this liability at June 30, 2006 was \$11,230,769 and appears as claims and judgments in the accompanying balance sheets.

Note N - International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note N - International Registration Plan (Continued)

Revenue in the amount of \$9,519,522 and \$9,090,716, respectively, was collected, and the amounts distributed to other jurisdictions were \$692,014 and \$1,116,917, respectively, during fiscal years 2007 and 2006. IRP fees were included in motor vehicle registration fee revenue at the net amount.

Note O - International Fuel Tax Agreement

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial license fees are collected and reallocated based on a proration of miles traveled in each jurisdiction. Fees in the amount of \$5,904,703 and \$6,167,231, respectively, were collected, and the amounts distributed to other jurisdictions were \$2,585,197 and \$2,542,917, respectively, during fiscal years 2007 and 2006. IFTA revenue is recorded by the Trust Fund at the net amount.

Note P - Retirement Benefits

Essentially all full-time Expressways Operations/Toll Administration employees are covered under the State of Delaware Defined Benefit Pension Plan (the Pension Plan), which is administered by the Office of Pension and Investments. The Pension Plan is contributory, and employees contribute 3% of the portion of their monthly compensation that exceeds \$6,000 per calendar year. Contributions by the Expressways Operations/Toll Administration are based on percentages of total employee compensation as specified by the Office of Pension and Investments.

In addition to the Pension Plan contribution disclosed above, the Trust Fund makes contributions to finance the costs of Post Retirement Increases (PRI) and Retiree Health Insurance (RHI). PRI are granted by the General Assembly to members retired under the State Employees' Plan. The funding mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund administered by the Pension Board. When the Legislature grants an ad hoc increase, the actuarial impact of the increase is funded over five years.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note P - Retirement Plan (Continued)

The State also provides post-employment health care benefits, in accordance with State statute, to all employees who retire after meeting certain eligibility requirements. The expenses for this benefit are recognized as retirees report claims.

The following trend information for the current and preceding two years was as follows as of June 30:

<u>Fiscal Year</u>	<u>Annual Retirement Expense</u>	<u>Pension Plan</u>	<u>Employer Contribution Rate</u>		<u>Total</u>
			<u>PRI</u>	<u>RHI</u>	
2007	\$640,285	6.69%	2.62%	6.64%	15.95%
2006	570,474	6.12%	2.60%	6.30%	15.02%
2005	486,508	4.91%	2.43%	5.91%	13.25%

The State does not maintain the Pension Plan information by agency, and therefore, the Expressways Operations/Toll Administration's portion of the Pension Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and nonvested accumulated plan benefits is not readily determinable.

Detailed information concerning the State of Delaware "State Employees Pension Plan" is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note Q - Transfers from the State General Fund

The State's General Assembly and the State's Division of Revenue transferred the following amounts from the State's General Fund to the Trust Fund during the years ended June 30,:

	<u>2007</u>	<u>2006</u>
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/ Lessor License and Document Fees	\$ 2,693,928	\$ 2,541,690
Amounts transferred to the Trust Fund:		
Supplemental appropriation from fiscal year Bond Bill	74,000,000	82,869,600
Division of Motor Vehicles	<u>2,714,600</u>	<u>2,826,300</u>
	<u>\$79,408,528</u>	<u>\$88,237,590</u>

Note R - Related Party Transactions

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating, maintenance, and capital expenses paid out of the State's General Fund. In addition, the Trust Fund is responsible for maintaining funds appropriated by the general assembly for the Delaware Transit Corporation (DTC), and reimbursing DTC for its operating and capital expenses up to the total amount of the appropriated funds. Total reimbursements for the years ended June 30, 2007 and 2006 were \$367,016,498 and \$408,806,086, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note S - Delaware State Infrastructure Bank

In 1998, the Authority entered into a cooperative agreement with the Federal Highway Administration (FHWA) to establish and provide for the administration of the Delaware State Infrastructure Bank (SIB), in accordance with the National Highway System Designation Act of 1995 and State enabling legislation. The SIB was funded with a \$4.8 million grant from the FHWA. The Authority was required to provide 25% matching funds (\$1.2 million) from the Trust Fund. The total \$6 million amount is required to be maintained in a separate Highway Account within the Trust Fund.

The SIB will loan funds to help transportation project sponsors pay for highway, transit, and rail improvements, or provide credit assistance that makes it affordable for sponsors to borrow money from other sources. The funds will be repaid and used to make new loans.

The funds were advanced to the Trust Fund from SIB as a loan. The Trust Fund was scheduled to repay SIB over six years, paying \$585,348 twice a year. The loan was repaid with interest at 5% and was repaid during 2006. The payments on the loan are treated as interfund transfers, and are eliminated for financial statement presentation purposes. The elimination has no net effect on the financial statements.

Note T - Commitments and Contingencies

The Authority had contractual commitments of \$134,286 for construction of various highway projects at June 30, 2007. Current and future appropriations will fund these commitments as work is performed.

Note U - Risk Management

The Authority is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. The Authority is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Authority pays premiums to the General Fund for this coverage.

Required Supplementary Information

**Delaware Transportation Authority
Transportation Trust Fund**

**Supplementary Information for Governments
That Use the Modified Approach for Infrastructure Assets**

See Independent Auditors' Report

<u>Bridge Condition Assessments</u>		<u>Structural Rating Numbers & Percentages for Bridges</u>					
	<u>BCR Condition Rating</u>	<u>2006</u>		<u>2005</u>		<u>2004</u>	
		<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Good	6 - 9	106	91.4	105	90.5	102	87.9
Fair	5	8	6.9	8	6.9	11	9.5
Poor	0 - 4	<u>2</u>	<u>1.7</u>	<u>3</u>	<u>2.6</u>	<u>3</u>	<u>2.6</u>
Totals		<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>

		<u>Deck Rating Numbers & Percentages for Bridges</u>					
	<u>OPC Condition Rating</u>	<u>2006</u>		<u>2005</u>		<u>2004</u>	
		<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>
Good	6 - 9	1,571,240	97.9	1,503,191	95.3	1,520,470	96.5
Fair	5	34,165	2.1	74,174	4.7	54,351	3.5
Poor	0 - 4	-	-	-	-	-	-
Totals		<u>1,605,405</u>	<u>100.0</u>	<u>1,577,365</u>	<u>100.0</u>	<u>1,574,821</u>	<u>100.0</u>

		<u>Centerline Mile Numbers & Percentages for Roadway</u>					
<u>Roadway Condition Assessments</u>	<u>OPC Condition Rating</u>	<u>2006</u>		<u>2005</u>		<u>2004</u>	
		<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>
Good	3.0 - 5.0	113.06	93.9	107.87	89.6	113.16	94.0
Fair	2.5 - 3.0	3.98	3.3	6.06	5.1	2.95	2.5
Poor	Below 2.5	<u>3.36</u>	<u>2.8</u>	<u>6.42</u>	<u>5.3</u>	<u>4.24</u>	<u>3.5</u>
Totals		<u>120.40</u>	<u>100.0</u>	<u>120.35</u>	<u>100.0</u>	<u>120.35</u>	<u>100.0</u>

Comparison of Estimated-to-Actual Maintenance / Preservation (in Thousands)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Estimated	<u>\$2,502</u>	<u>\$11,152</u>	<u>\$ 4,531</u>	<u>\$13,839</u>	<u>\$13,119</u>
Actual	<u>\$4,970</u>	<u>\$17,331</u>	<u>\$10,553</u>	<u>\$15,092</u>	<u>\$14,863</u>

* The estimated expenditure represents annual Bond Bill authorizations. The actual expenditure represents the current year spending, which includes cumulative authorizations.

**Delaware Transportation Authority
Transportation Trust Fund**

**Supplementary Information for Governments
That Use the Modified Approach for
Infrastructure Assets (Continued)**

See Independent Auditors' Report

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

The condition of bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the FHWA Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For these reporting purposes, substandard bridges were classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of 6 to 9. A 5 rating is considered fair. The information is taken from past "Bridge Inventory Status" reports.

It is the State's policy to maintain at least 85% of its highways at a fair or better condition level and 75% of its bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2007 is not available.

Additional Information

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheet in Accordance with Trust Agreement

**June 30, 2007
With Comparative Totals for June 30, 2006
See Independent Auditors' Report**

					Totals (Memorandum Only)	
	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	2007	2006
CURRENT ASSETS						
Cash and cash equivalents						
Unrestricted	\$ 7,316,138	\$ 122,022	\$ -	\$ -	\$ 7,438,160	\$ 2,399,463
Restricted	-	-	1,288	32,558	33,846	41,596
Investments - at fair value						
Unrestricted	44,378,566	110,932,684	-	-	155,311,250	69,527,635
Restricted	-	91,270,440	6,873,465	10,942,745	109,086,650	95,785,922
Accrued interest receivable	24,000	1,619,581	110,746	345,000	2,099,327	1,294,930
Accounts receivable	2,534,837	750,000	-	-	3,284,837	2,542,694
Loan receivable	-	1,198,203	-	-	1,198,203	1,152,692
Total current assets	54,253,541	205,892,930	6,985,499	11,320,303	278,452,273	172,744,932
NONCURRENT ASSETS						
Capital assets						
Infrastructure and land	-	1,010,345,209	-	-	1,010,345,209	1,004,847,647
Buildings and land improvements	-	7,847,309	-	-	7,847,309	7,847,309
	-	1,018,192,518	-	-	1,018,192,518	1,012,694,956
Less: accumulated depreciation	-	2,724,106	-	-	2,724,106	2,533,654
Capital assets	-	1,015,468,412	-	-	1,015,468,412	1,010,161,302
Investments - at fair value						
Unrestricted	-	3,246,128	-	-	3,246,128	666,094
Restricted	-	-	2,052,850	41,199,346	43,252,196	44,495,196
Accrued interest receivable	-	80,203	-	-	80,203	697,673
Loans receivable, net of current portion	-	23,462,845	-	-	23,462,845	34,071,992
Total noncurrent assets	-	1,042,257,588	2,052,850	41,199,346	1,085,509,784	1,090,092,257
TOTAL ASSETS	\$ 54,253,541	\$ 1,248,150,518	\$ 9,038,349	\$ 52,519,649	\$ 1,363,962,057	\$ 1,262,837,189

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheet in Accordance with Trust Agreement (Continued)

**June 30, 2007
With Comparative Totals for June 30, 2006
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
CURRENT LIABILITIES						
Accounts payable	\$ 23,917,835	\$ 81,089	\$ -	\$ -	\$ 23,998,924	\$ 16,746,342
Accrued payroll payable	408,970	-	-	-	408,970	254,953
Compensated absences payable	45,239	-	-	-	45,239	61,033
Deferred revenues	-	4,313,896	-	-	4,313,896	5,040,226
General obligation bonds payable	-	599,955	-	-	599,955	812,259
Revenue bonds payable	-	67,640,000	-	-	67,640,000	61,370,000
Bond issue premium - net of accumulated amortization	-	6,623,371	-	-	6,623,371	6,814,934
Interest payable	-	23,636,964	-	-	23,636,964	23,828,878
Total current liabilities	24,372,044	102,895,275	-	-	127,267,319	114,928,625
NONCURRENT LIABILITIES						
Compensated absences - net of current portion	312,340	-	-	-	312,340	334,788
Claims and judgments - net of current portion	-	-	-	-	-	11,230,769
General obligation bonds payable - net of current portion	-	2,783,007	-	-	2,783,007	3,435,812
Revenue bonds payable - net of current portion	-	951,175,000	-	-	951,175,000	891,895,000
Bond issue premium - net of accumulated amortization and current portion	-	22,730,536	-	-	22,730,536	24,079,921
Total noncurrent liabilities	312,340	976,688,543	-	-	977,000,883	930,976,290
Total liabilities	24,684,384	1,079,583,818	-	-	1,104,268,202	1,045,904,915
NET ASSETS						
Invested in capital assets - net of related debt	-	37,595,366	-	-	37,595,366	32,033,115
Restricted	-	91,270,440	9,038,349	52,519,649	152,828,438	140,835,636
Unrestricted	29,569,157	39,700,894	-	-	69,270,051	44,063,523
Total net assets	29,569,157	168,566,700	9,038,349	52,519,649	259,693,855	216,932,274
TOTAL LIABILITIES AND NET ASSETS	\$ 54,253,541	\$ 1,248,150,518	\$ 9,038,349	\$ 52,519,649	\$ 1,363,962,057	\$ 1,262,837,189

**Delaware Transportation Authority
Transportation Trust Fund**

**Statement of Revenues, Expenses, and
Change in Net Assets in Accordance with Trust Agreement**

**For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006
See Independent Auditors' Report**

					Totals (Memorandum Only)	
	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	2007	2006
OPERATING REVENUES						
Pledged revenue						
Turnpike revenue	\$ 96,747,605	\$ -	\$ -	\$ -	\$ 96,747,605	\$ 87,696,331
Motor fuel tax revenue	117,483,765	-	-	-	117,483,765	120,090,448
Motor vehicle document fee revenue	62,689,492	-	-	-	62,689,492	64,842,559
Motor vehicle registration fee revenue	31,463,949	-	-	-	31,463,949	30,238,168
Other motor vehicle revenue	20,475,403	-	-	-	20,475,403	20,334,439
International Fuel Tax Agreement revenue	3,319,506	-	-	-	3,319,506	3,624,314
Total pledged revenue	332,179,720	-	-	-	332,179,720	326,826,259
Toll revenue - Delaware SR-1	32,606,361	-	-	-	32,606,361	31,524,365
Property management revenue	-	426,992	-	-	426,992	427,159
E-ZPass expense reimbursements	-	-	-	-	-	366,419
Railway tolls	-	1,498,998	-	-	1,498,998	1,502,375
Miscellaneous revenue	-	2,874,660	-	-	2,874,660	4,530,608
Total operating revenues	364,786,081	4,800,650	-	-	369,586,731	365,177,185
OPERATING EXPENSES						
Expressways Operations/Toll Administration and interstate operating expenses	16,282,224	-	-	-	16,282,224	17,440,223
Claims and judgments	769,231	-	-	-	769,231	-
Expenses in accordance with Trust Agreement						
Transportation capital preservation and operations	141,664,858	160,402,148	-	-	302,067,006	349,972,715
Delaware Transit Corporation operations	64,949,492	-	-	-	64,949,492	58,833,371
Depreciation	-	190,452	-	-	190,452	192,045
Total operating expenses	223,665,805	160,592,600	-	-	384,258,405	426,438,354

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

**Statement of Revenues, Expenses, and
Change in Net Assets in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
OPERATING INCOME (LOSS)	\$ 141,120,276	\$ (155,791,950)	\$ -	\$ -	\$ (14,671,674)	\$ (61,261,169)
NONOPERATING REVENUES (EXPENSES)						
Pledged revenue - income from investments (net of fees)	1,894,630	10,392,469	398,296	2,089,058	14,774,453	10,523,310
Net increase (decrease) in the fair value of investments	-	74,251	92,144	617,141	783,536	(954,254)
Interest income	-	180,083	-	-	180,083	223,866
Interest expense	(159,615)	(43,048,038)	-	-	(43,207,653)	(37,346,668)
Total nonoperating revenues (expenses)	1,735,015	(32,401,235)	490,440	2,706,199	(27,469,581)	(27,553,746)
INCOME (LOSS) BEFORE TRANSFERS	142,855,291	(188,193,185)	490,440	2,706,199	(42,141,255)	(88,814,915)
Transfer from State General Fund	2,693,928	76,714,600	-	-	79,408,528	88,237,590
Transfer from Delaware Department of Transportation	-	5,494,308	-	-	5,494,308	-
Transfer in of funds in accordance with Trust Agreement	249,524,459	489,128,112	-	4,831,311	743,483,882	829,881,823
Transfer out of funds in accordance with Trust Agreement	(381,617,132)	(359,756,419)	-	(2,110,331)	(743,483,882)	(829,881,823)
CHANGE IN NET ASSETS	13,456,546	23,387,416	490,440	5,427,179	42,761,581	(577,325)
TOTAL NET ASSETS - BEGINNING OF YEAR	16,112,611	145,179,284	8,547,909	47,092,470	216,932,274	217,509,599
TOTAL NET ASSETS - END OF YEAR	\$ 29,569,157	\$ 168,566,700	\$ 9,038,349	\$ 52,519,649	\$ 259,693,855	\$ 216,932,274

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement

**For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 369,218,485	\$ 4,074,320	\$ -	\$ -	\$ 373,292,805	\$ 363,085,104
Payments to employees	(7,062,116)	-	-	-	(7,062,116)	(6,894,415)
Payments to suppliers	(225,475,860)	(160,566,936)	-	-	(386,042,796)	(434,889,878)
Net cash flows provided by (used in) operating activities	136,680,509	(156,492,616)	-	-	(19,812,107)	(78,699,189)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from State General Fund	2,693,928	76,714,600	-	-	79,408,528	88,237,590
Transfers from Delaware Department of Transportation	-	5,494,308	-	-	5,494,308	-
Net transfers of funds in accordance with Trust Agreement	(132,092,673)	129,371,693	-	2,720,980	-	-
Net cash flows provided by (used in) noncapital financing activities	(129,398,745)	211,580,601	-	2,720,980	84,902,836	88,237,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Payments of revenue bond principal	-	(61,370,000)	-	-	(61,370,000)	(58,445,000)
Payment to escrow agent for refunding of revenue bonds	-	(88,415,000)	-	-	(88,415,000)	-
Proceeds from revenue bond sale	-	215,335,000	-	-	215,335,000	150,000,000
Payments of general obligation bond principal	-	(865,109)	-	-	(865,109)	(582,693)
Payment of note principal	-	-	-	-	-	(40,000,000)
Repayment from Delaware Department of Transportation	-	-	-	-	-	678,419
Premium from revenue bond sale	-	6,179,669	-	-	6,179,669	8,417,842
Acquisition of capital assets	-	(5,497,562)	-	-	(5,497,562)	(18,243,158)
Payments of interest	(159,615)	(50,960,569)	-	-	(51,120,184)	(41,999,811)
Net cash flows provided by (used in) capital and related financing activities	(159,615)	14,406,429	-	-	14,246,814	(174,401)

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement (Continued)

**For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES						
Repayment on loan receivable	\$ -	\$ 11,745,028	\$ -	\$ -	\$ 11,745,028	\$ 1,108,909
Purchase of investments	(3,999,187)	(90,365,394)	(363,645)	(4,909,615)	(99,637,841)	(19,332,547)
Interest received	1,899,630	9,142,057	363,472	2,181,058	13,586,217	8,797,827
Net cash flows used in investing activities	(2,099,557)	(69,478,309)	(173)	(2,728,557)	(74,306,596)	(9,425,811)
Net increase (decrease) in cash and cash equivalents	5,022,592	16,105	(173)	(7,577)	5,030,947	(61,811)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,293,546	105,917	1,461	40,135	2,441,059	2,502,870
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,316,138</u>	<u>\$ 122,022</u>	<u>\$ 1,288</u>	<u>\$ 32,558</u>	<u>\$ 7,472,006</u>	<u>\$ 2,441,059</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 141,120,276	\$ (155,791,950)	\$ -	\$ -	\$ (14,671,674)	\$ (61,261,169)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and retirements of property and equipment	-	190,452	-	-	190,452	192,045
Changes in assets and liabilities						
Increase in accounts receivable	(742,143)	-	-	-	(742,143)	(671,428)
Increase (decrease) in accounts payable	2,242,823	(164,788)	-	-	2,078,035	(15,629,753)
Increase in accrued payroll and related expenses	115,775	-	-	-	115,775	91,769
Increase in customer toll deposits	5,174,547	-	-	-	5,174,547	-
Decrease in deferred revenue	-	(726,330)	-	-	(726,330)	(1,326,193)
Decrease in other accrued expenses	(11,230,769)	-	-	-	(11,230,769)	(94,460)
Net cash provided by (used in) operating activities	<u>\$ 136,680,509</u>	<u>\$ (156,492,616)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,812,107)</u>	<u>\$ (78,699,189)</u>

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement (Continued)

**For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006
See Independent Auditors' Report**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2007	2006
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest capitalized on Diamond State Port Corporation loan	\$ -	\$ 1,181,392	\$ -	\$ -	\$ 1,181,392	\$ 1,348,641

**Delaware Transportation Authority
Transportation Trust Fund**

Schedule of Revenue Bonds Outstanding

June 30, 2007

See Independent Auditors' Report

Principal	Senior											Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	2006 Series	2007 SER A Series	
FY08	\$ 3,665,000	\$ 3,215,000	\$ 3,360,000	\$ 3,330,000	\$ 5,515,000	\$ 7,200,000	\$ 22,760,000	\$ 3,635,000	\$ 1,000,000	\$ 2,455,000	\$ 205,000	\$ 56,340,000
FY09	3,885,000	7,450,000	3,535,000	3,495,000	5,790,000	3,640,000	23,890,000	3,810,000	1,500,000	4,290,000	400,000	61,685,000
FY10	-	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	4,460,000	8,005,000	63,245,000
FY11	-	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	4,640,000	8,335,000	64,220,000
FY12	-	3,885,000	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	4,875,000	4,460,000	64,775,000
FY13	-	4,060,000	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	5,115,000	4,680,000	64,090,000
FY14	-	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	5,320,000	5,710,000	62,915,000
FY15	-	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	5,585,000	5,960,000	60,915,000
FY16	-	12,770,000	-	-	-	9,985,000	-	22,025,000	7,870,000	5,865,000	105,000	58,620,000
FY17	-	13,345,000	-	5,175,000	-	5,435,000	-	18,450,000	2,795,000	6,160,000	4,975,000	56,335,000
FY18	-	-	-	5,405,000	-	5,685,000	8,560,000	10,955,000	11,505,000	6,470,000	5,220,000	53,800,000
FY19	-	-	-	-	-	11,445,000	8,985,000	5,755,000	12,765,000	6,790,000	5,455,000	51,195,000
FY20	-	-	-	5,935,000	-	6,235,000	9,435,000	6,000,000	8,105,000	7,060,000	5,730,000	48,500,000
FY21	-	-	-	-	-	6,535,000	-	6,255,000	3,385,000	7,365,000	22,130,000	45,670,000
FY22	-	-	-	-	-	6,205,000	10,405,000	6,520,000	4,680,000	7,675,000	6,520,000	42,005,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	7,980,000	-	38,175,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	8,330,000	-	32,915,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	8,695,000	-	27,715,000
FY26	-	-	-	-	-	-	-	-	-	9,000,000	-	9,000,000
FY27	-	-	-	-	-	-	-	-	11,845,000	9,315,000	-	21,160,000
	<u>\$ 7,550,000</u>	<u>\$ 51,985,000</u>	<u>\$ 14,520,000</u>	<u>\$ 34,910,000</u>	<u>\$ 11,305,000</u>	<u>\$ 112,910,000</u>	<u>\$ 225,055,000</u>	<u>\$ 160,705,000</u>	<u>\$ 149,000,000</u>	<u>\$ 127,445,000</u>	<u>\$ 87,890,000</u>	<u>\$ 983,275,000</u>

Principal	Junior 2002 Series	Total Junior Bond Series	Totals
FY08	\$ 11,300,000	\$ 11,300,000	\$ 67,640,000
FY09	11,825,000	11,825,000	73,510,000
FY10	12,415,000	12,415,000	75,660,000
FY11	-	-	64,220,000
FY12	-	-	64,775,000
FY13	-	-	64,090,000
FY14	-	-	62,915,000
FY15	-	-	60,915,000
FY16	-	-	58,620,000
FY17	-	-	56,335,000
FY18	-	-	53,800,000
FY19	-	-	51,195,000
FY20	-	-	48,500,000
FY21	-	-	45,670,000
FY22	-	-	42,005,000
FY23	-	-	38,175,000
FY24	-	-	32,915,000
FY25	-	-	27,715,000
FY26	-	-	9,000,000
FY27	-	-	21,160,000
	<u>\$ 35,540,000</u>	<u>\$ 35,540,000</u>	<u>\$ 1,018,815,000</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Schedule of Revenue Bonds Outstanding

June 30, 2006

See Independent Auditors' Report

Principal	Senior									Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	
FY07	\$ 3,455,000	\$ 205,000	\$ 3,200,000	\$ 3,170,000	\$ 16,460,000	\$ 6,835,000	\$ 12,725,000	\$ 3,495,000	\$ 1,000,000	\$ 50,545,000
FY08	3,665,000	3,215,000	3,360,000	3,330,000	5,515,000	7,200,000	22,760,000	3,635,000	1,000,000	53,680,000
FY09	3,885,000	7,450,000	3,535,000	3,495,000	5,790,000	3,640,000	23,890,000	3,810,000	1,500,000	56,995,000
FY10	8,390,000	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	59,170,000
FY11	8,820,000	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	60,065,000
FY12	5,050,000	3,885,000	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	60,490,000
FY13	5,300,000	4,060,000	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	59,595,000
FY14	5,560,000	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	57,445,000
FY15	5,805,000	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	55,175,000
FY16	-	12,770,000	-	-	-	9,985,000	-	22,025,000	7,870,000	52,650,000
FY17	-	13,345,000	-	5,175,000	-	10,300,000	-	18,450,000	2,795,000	50,065,000
FY18	-	-	-	5,405,000	-	10,790,000	8,560,000	10,955,000	11,505,000	47,215,000
FY19	-	-	-	-	-	16,805,000	8,985,000	5,755,000	12,765,000	44,310,000
FY20	-	-	-	5,935,000	-	11,865,000	9,435,000	6,000,000	8,105,000	41,340,000
FY21	-	-	-	6,210,000	-	12,445,000	9,905,000	6,255,000	3,385,000	38,200,000
FY22	-	-	-	6,505,000	-	6,205,000	10,405,000	6,520,000	4,680,000	34,315,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	30,195,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	24,585,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	19,020,000
FY26	-	-	-	-	-	-	-	-	11,845,000	11,845,000
	<u>\$ 49,930,000</u>	<u>\$ 52,190,000</u>	<u>\$ 17,720,000</u>	<u>\$ 50,795,000</u>	<u>\$ 27,765,000</u>	<u>\$ 146,615,000</u>	<u>\$ 247,685,000</u>	<u>\$ 164,200,000</u>	<u>\$ 150,000,000</u>	<u>\$ 906,900,000</u>
	Junior 2002 Series	Total Junior Bond Series	Totals							
FY07	\$ 10,825,000	\$ 10,825,000	\$ 61,370,000							
FY08	11,300,000	11,300,000	64,980,000							
FY09	11,825,000	11,825,000	68,820,000							
FY10	12,415,000	12,415,000	71,585,000							
FY11	-	-	60,065,000							
FY12	-	-	60,490,000							
FY13	-	-	59,595,000							
FY14	-	-	57,445,000							
FY15	-	-	55,175,000							
FY16	-	-	52,650,000							
FY17	-	-	50,065,000							
FY18	-	-	47,215,000							
FY19	-	-	44,310,000							
FY20	-	-	41,340,000							
FY21	-	-	38,200,000							
FY22	-	-	34,315,000							
FY23	-	-	30,195,000							
FY24	-	-	24,585,000							
FY25	-	-	19,020,000							
FY26	-	-	11,845,000							
	<u>\$ 46,365,000</u>	<u>\$ 46,365,000</u>	<u>\$ 953,265,000</u>							

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Operating Revenues and Expenses -
Expressways Operations/Toll Administration**

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	<u>2007</u>	<u>2006</u>
TOLL REVENUES - DELAWARE TURNPIKE	\$ 93,055,444	\$ 84,129,639
TOLL REVENUES - DELAWARE SR-1	<u>32,606,361</u>	<u>31,524,365</u>
	125,661,805	115,654,004
ADD - TOLL VARIANCE AND VIOLATIONS	<u>571,286</u>	<u>528,799</u>
	126,233,091	116,182,803
 SERVICE AREA RENTALS		
Marriott restaurants	1,723,475	1,698,669
Service stations		
Exxon	787,831	716,963
Mobil	<u>287,529</u>	<u>283,269</u>
	2,798,835	2,698,901
 OTHER TURNPIKE REVENUES	<u>322,040</u>	<u>338,992</u>
 TOTAL TURNPIKE REVENUES	129,353,966	119,220,696
 DELAWARE TURNPIKE EXPENSES		
Personnel	2,914,307	2,949,998
Utilities	161,545	128,563
Contracted services	<u>478,844</u>	<u>582,102</u>
	3,554,696	3,660,663
 TOLL ADMINISTRATION EXPENSES		
Personnel	1,110,475	848,150
Capital outlay and travel	60,597	186,702
Utilities	76,722	63,362
Contracted services	<u>7,558,314</u>	<u>8,506,729</u>
	8,806,108	9,604,943
 DELAWARE SR-1 EXPENSES		
Personnel	3,037,334	3,096,267
Utilities	327,923	228,313
Contracted services	<u>556,163</u>	<u>850,037</u>
	3,921,420	4,174,617
 TOTAL EXPENSES	<u>16,282,224</u>	<u>17,440,223</u>
 EXCESS OF REVENUES OVER EXPENSES	<u>\$ 113,071,742</u>	<u>\$ 101,780,473</u>

**Delaware Transportation Authority
Transportation Trust Fund**

**Schedules of Expenditures Compared to Budget -
Expressways Operations/Toll Administration**

**For the Years Ended June 30, 2007 and 2006
See Independent Auditors' Report**

	2007			2006		
	Budget	Actual*	Variance	Budget	Actual*	Variance
DELAWARE TURNPIKE EXPENDITURES						
Personnel	\$ 2,974,500	\$ 2,930,270	\$ 44,230	\$ 2,918,400	\$ 2,911,540	\$ 6,860
Utilities	167,000	167,000	-	124,800	124,800	-
Contracted services	598,500	597,055	1,445	598,500	598,475	25
	<u>3,740,000</u>	<u>3,694,325</u>	<u>45,675</u>	<u>3,641,700</u>	<u>3,634,815</u>	<u>6,885</u>
TOLL ADMINISTRATION EXPENDITURES						
Personnel	1,027,300	1,087,304	(60,004)	841,300	832,334	8,966
Capital outlay and travel	41,000	57,604	(16,604)	117,000	113,007	3,993
Utilities	78,500	78,500	-	61,000	61,000	-
Contracted services	7,476,000	7,832,602	(356,602)	9,275,000	9,273,816	1,184
	<u>8,622,800</u>	<u>9,056,010</u>	<u>(433,210)</u>	<u>10,294,300</u>	<u>10,280,157</u>	<u>14,143</u>
DELAWARE SR-1 EXPENDITURES						
Personnel	3,317,900	3,052,117	265,783	3,080,700	3,058,773	21,927
Utilities	313,000	301,000	12,000	309,400	309,400	-
Contracted services	809,100	820,019	(10,919)	821,100	820,973	127
	<u>4,440,000</u>	<u>4,173,136</u>	<u>266,864</u>	<u>4,211,200</u>	<u>4,189,146</u>	<u>22,054</u>
TOTAL EXPENDITURES	<u>\$ 16,802,800</u>	<u>\$ 16,923,471</u>	<u>\$(120,671)</u>	<u>\$ 18,147,200</u>	<u>\$ 18,104,118</u>	<u>\$ 43,082</u>

*Includes purchase orders outstanding at June 30.

**Delaware Transportation Authority
Transportation Trust Fund**

Schedule of Revenue Bond Coverage

June 30, 2007

See Independent Auditors' Report

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities and bonds outstanding.

(in Thousands)

Fiscal Year	Gross Pledged Revenue	Debt Service Requirements			Coverage*
		Principal	Interest	Total	
1998	\$ 252,966	\$ 31,585	\$ 30,176	\$ 61,761	4.10
1999	268,650	33,300	32,718	66,018	4.07
2000	292,201	35,330	30,809	66,139	4.42
2001	293,026	35,315	37,537	72,852	4.02
2002	303,794	39,565	35,269	74,834	4.06
2003	302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41
2007	346,954	61,370	45,534	106,904	3.25

* The above coverage calculation represents the total gross pledged revenue as it relates to the total debt service requirement of all senior and junior bonds. The calculation method used in the Official Statement per the Trust Agreement calculates only the senior bond debt service requirement and subtracts investment income revenue from gross pledged revenue.